

DOCKET SECTION

BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, D.C. 20268-0001

Postal Rate and Fee Changes, 1997

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Docket No. R97-1
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**NEWSPAPER ASSOCIATION OF AMERICA
INTERROGATORIES TO
TIME WARNER WITNESS
HALSTEIN STRALBERG (NAA/TW-T1-1-5)
January 22, 1998**

The Newspaper Association of America hereby submits the attached interrogatories to Time Warner witness Halstein Stralberg (TW-T-1) and respectfully requests a timely and full response under oath.

Respectfully submitted,

NEWSPAPER ASSOCIATION OF AMERICA

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CERTIFICATE OF SERVICE

I hereby certify that I have this date served the instant document on all participants of record in this proceeding in accordance with section 12 of the Rules of Practice.

January 22, 1998

William B. Baker
William B. Baker

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HALSTEIN STRALBERG (NAA/TW-T1-1-5)

NAA/TW-T1-1. Please refer to your direct testimony at page 3, lines 25-27. You state that Professor Bradley's conclusion that mail processing costs are less than 100 percent volume variable is "...confirmed by the considerable slack time in mail processing evidenced by the large and fast growing pool of break time and other general overhead "not handling" costs identified in IOCS." Please explain how this "slack time" related to the growth in break time and not-handling costs supports the argument that mail processing costs are less than 100 percent volume variable.

NAA/TW-T1-2. Please refer to your direct testimony at page 4, lines 28-30, and page 5, lines 1-9. You discuss the treatment of volume variable mixed mail and not-handling costs.

- a. Please confirm that your sole justification for arguing that the Commission should consider treating certain mixed mail volume variable costs as institutional costs is that the Postal Service has not shown a sufficient causal link between mixed mail costs and specific subclasses of mail. Please explain if you cannot confirm.
- b. Please provide an estimate of the amount of volume variable mixed mail costs you believe should be treated as institutional costs and provide the method and calculations you use to derive this estimate. If you cannot provide an estimate, please explain why not.
- c. If the "highly anomalous" growth in not-handling costs that you identify were well understood and were accurately linked (in your estimation) to the delivery of specific subclasses of mail, would attribution be justified? Please explain.

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NAA/TW-T1-3. In your direct testimony, you discuss an alternative cost distribution for clerk and mailhandler costs. Would your distribution methodology yield the same cost distribution as the methodology used by the Commission in Docket No. R94-1. If no, please describe and quantify any differences by class and subclass of mail.

NAA/TW-T1-4. In Docket No. R94-1, you presented arguments for treating certain mail processing overhead costs as institutional costs and alternative options for distributing these costs across mail classes and subclasses. These arguments are similar to those you are presenting in the current proceeding. In Docket No. R94-1, the Commission did not accept the suggestion to exclude mixed-mail data from the distribution of mail processing costs, concluding that, "Using the counted mixed-mail tallies as part of the direct tally base for distributing uncounted mixed-mail costs is the preferable approach." [p. 3072]

- a. Please describe any differences in the arguments you are putting forward in this proceeding compared to your testimony in Docket No. R94-1.
- b. Do you believe that the Commission's decision was incorrect in Docket No. R94-1?
- c. What circumstances, if any, have changed to suggest that the Commission should reverse its previous decision in the current proceeding? Please explain.

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NAA/TW-T1-5. Please refer to your direct testimony at page 34, lines 6-9. You state that

"Degen simply distributes these costs within whatever mail processing cost pool employees were clocked into, ignoring the much more accurate distribution keys available to the Postal Service and the Commission for distributing such costs."

Also please refer to your direct testimony at page 11, lines 14-16:

"Since Bradley's analysis of the FSM cost pool was based on all wage costs for employees clocked into FSM MODS codes, *regardless of what those employees were actually doing,....*" (emphasis added)

- a. If employees are clocked into FSM MODS codes but were doing other work, please explain the effect of this "misclocking" on Bradley's variability estimates for the FSM MODS pools.
- b. Please explain why you find these "misclocking" errors to be important in the distribution of the costs to subclasses of mail but you do not find these same errors to be problematic when Bradley performs his variability analysis.